

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 OPIC-12 AID-20 L-03 CIAE-00

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4105

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LIMITED OFFICIAL USE BUENOS AIRES 7920

DEPT PASS OPIC

E.O. 11652: N/A

TAGS: ECON, AR

SUBJECT: ARGENTINE DRAFT FOREIGN INVESTMENT LAW: COMMENTS ON  
CURRENT STATUS

REFS: A) BA 7848, B) BA 7417, C) BA 7157, D) BA 5756, E) BA 4568

1. THE FOLLOWING COMMENTS ARE RELATED TO THE DEVELOPMENTS  
REPORTED SEPARATELY IN REF A. AS OF TODAY, THE DRAFT LAW  
REMAINS IN THE BUDGET AND FINANCE COMMITTEE OF THE CHAMBER OF  
DEPUTIES, AND APPARENTLY REMAINS IN SUSPENSE.

2. DEVELOPMENTS LAST WEEK IN THE CHAMBER OF DEPUTIES REGARDING  
THE FOREIGN INVESTMENT LAW SERVE PRIMARILY TO UNDERScore  
CONTINUING EXTREME POLITICAL SENSITIVITY OF FOREIGN INVESTMENT  
POLICY. ACTION OF MINISTRY OF ECONOMY IN PERSUADING DEPUTIES  
TO SEND DRAFT BACK TO COMMITTEE WITHOUT VOTING PASSAGE OF MORE  
RESTRICTIVE TEXT INDICATES CONTINUING DETERMINATION OF PERON'S  
ADMINISTRATION TO SOFTEN OUTLINES, AND PERHAPS SUBSTANCE OF  
MEASURE SUBMITTED ORIGINALLY BY CAMPORA.

3. DRAFT LAW HAS NOW BEEN IN HANDS OF LEGISLATURE SINCE JUNE  
21 (SEE REF D) AND STILL IS NOT IN FORM ACCEPTABLE TO ALL  
PARTIES. MOST INTERESTING ASPECT OF PROCESS MAY BE INCREASINGLY  
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VISIBLE EFFORTS BY GELBARD AND ECONOMIC TEAM TO DEFLECT ANTI-

FOREIGN CAPITAL FERVOR OF FREJULI AND RADICAL MEMBERS OF LOWER CHAMBER. MOST SIGNIFICANT PHASE OF THIS EFFORT, HOWEVER, OCCURRED IN BUDGET AND FINANCE COMMITTEE IN JULY, AS REPORTED IN REF D. POINTS NOW PUBLICLY AT ISSUE SEEM MARGINAL TO QUESTION OF TREATMENT TO BE AFFORDED FOREIGN CAPITAL WITHIN THE ARGENTINE ECONOMY. BOTH LEGISLATIVE CHAMBERS AND EXECUTIVE WOULD CUT OFF FOREIGN FIRMS FROM ACCESS TO LONG-TERM LOCAL FINANCING. ALSO, INCLUSION OR DELETION OF 20 PER CENT ALLOWANCE IN ARTICLE SIX PROBABLY WOULD NOT HAVE ANY VERY SIGNIFICANT IMPACT ON LIKELY FUTURE PATTERNS OF FOREIGN INVESTMENT HERE. INDUSTRIAL SECTORS IN WHICH ARGENTINA WILL MOST REQUIRE FOREIGN CAPITAL AND EITHER NOT INCLUDED IN ARTICLE SIX OR ARE MENTIONED WITH CONDITIONAL PHRASES WHICH WOULD PERMIT EXECUTIVE TO GRANT EXCEPTIONS IN WIDE RANGE OF CASES. THESE WOULD OPEN WAY FOR FOREIGN INVESTMENT MUCH BYOND 20 PER CENT LIMIT.

4. IN SUM, CURRENT CONGRESSIONAL DEBATE AND MANEUVERINGS CONCERN IDEOLOGICAL POSTURES OF PARTICIPANTS, RATHER THAN CRUCIAL SUBSTANTIVE ISSUES. WHETHER PERON WILL NOW ACCEDE TO PASSAGE OF THE SENATE'S VERSION OF THE PRESENT TEXT OR WILL INTRODUCE A BROADER SUBSTITUTE MEASURE IS THE UNRESOLVED QUESTION OF THE MOMENT. IN ANY EVENT, THE FUTURE OF FOREIGN INVESTMENT HERE UNDER PERON STILL SEEMS LIKELY TO BE MATTER OF DIRECT NEGOTIATION, CASE BY CASE, WITH EXECUTIVE, RATHER THAN SUBMISSION TO HIGHLY DETAILED AND INFLEXIBLE LEGAL REGIME.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Subject:** ARGENTINE DRAFT FOREIGN INVESTMENT LAW: COMMENTS ON CURRENT STATUS  
**TAGS:** ECON, AR  
**To:** STATE  
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